Exhibit 10
(Under Seal)

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September 12, 2007

Sean Dillon, Esq.
Bureau of Competition - Mergers I
601 New Jersey Avenue, NW
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Re: Proposed Acquisition by Google Inc. of DoubleClick Inc., File Number 2007-1179

Dear Sean:

This letter addresses your question about a "defensive rationale" for Google's acquisition of DoubleClick. We begin with a summary of the reasons why defensive considerations do not give rise to competitive concerns in this transaction. We then describe Google's principal motivations for the transaction, which are indisputably procompetitive. Next, we explain how Google arrived at its final valuation for DoubleClick. This valuation, which was presented to the company's Board of Directors when the transaction was approved, did not assign any monetary value to defensive considerations, notwithstanding an earlier email message.[1] Finally, we review the major developments that have occurred since Google approved the transaction. These developments demonstrate the competitive and dynamic nature of online advertising and the fallacy of the idea that any one company is in a position to dominate it.

[1] *Compare* Attachment 4(c)-2 at 5 with Attachment 4(c)-13. We discuss these documents further below.

1. Defensive Considerations

As Google's 4(c) documents reflect, one of the factors that some Google employees considered during the bidding process for DoubleClick was the potential for lost sales if Microsoft or Yahoo! were to acquire the company instead of Google. We understand that the staff is assessing whether this defensive consideration might give rise to competitive concerns. The answer to this question is clearly no, for the following reasons.

As an initial matter, there is nothing inherently anticompetitive about an acquiring company having a defensive motivation for a transaction. Companies often compete aggressively with each other – for customer contracts, assets, target companies, etc. – both to enhance their business and to prevent competitors from taking business away from them. This leads to robust bidding contests and procompetitive results in the overwhelming majority of situations.[2] Thus, the Commission should be very reluctant to challenge a transaction on the ground that one of the motivating factors was a desire to avoid losing sales to a competitor. In the roughly analogous area of predatory pricing or predatory bidding, the courts have made clear that liability under Section 2 will lie only in the rare case where it can be proven that a monopolist prices below an appropriate measure of cost (or bids above an appropriate measure of revenue), that such conduct eliminates competitors, and that the monopolist is able to recoup its losses through sustained future monopolistic pricing.[3] Whatever test one might apply in the context of a merger review under Section 7 of the Clayton Act, 15 U.S.C. § 18, the facts here simply do not support a finding of any anticompetitive harm.

First, Google does not have market power in any relevant market. As noted in Google's 4(c) documents, the concern that gave rise to defensive considerations at one stage of the bidding process was that Google might lose a portion of its future AdSense for Content (AFC) business. But as demonstrated in our email of September 10, 2007, AFC represents only a small portion of online advertising and faces vigorous competition from other forms of online advertising such as behavioral targeting, from other sales channels for online advertising such as direct sales by publishers, and from traditional forms of advertising.[4] Even assuming that Microsoft or Yahoo!

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2 Here, the auction was carried out in a fair manner and resulted in vigorous competition between Google and other bidders. Of course, Microsoft and Yahoo! could have bid higher than Google if they saw the value in it. For its part, Microsoft subsequently bid almost twice as much for aQuantive, the owner of a competing ad serving company.

3 *See, e.g., Weyerhaeuser Co v. Ross-Simmons Hardwood Lumber Co , Inc.*, 127 S.Ct. 1069 (2007) (predatory bidding); *Brooke Group Ltd. v. Brown & Williamson Tobacco Corp.*, 509 U.S. 209 (1993) (predatory pricing) .

4 *See, e.g.,* GOOG-00121475 ("As more competitors enter our space and advertisers increasingly realize the value of behavioral and demographic targeting, AdSense (and Google) is looking at tough competition ahead."); GOOG-00065482 ("A slew of well-known AdSense competitors have released new products/updates or announced strategic partnerships, including Kanoodle, MIVA, Quigo and TACODA. Behavioral targeting continues to prove itself as the next step in online advertising.").

would have been able to take away a quarter of Google's future AFC business with DoubleClick (which was the highest guess that appears to have been made by any Google employee), this would have represented at most a couple of percentage points of online advertising expenditures.

Second, any defensive considerations were secondary to the overriding rationale for the transaction, which was to allow Google to improve its offerings to advertisers and publishers and thereby increase output. Even in the 4(c) document that attempted to place a possible value on the defensive motivation (albeit without any real methodology), the defensive value the employee offered was far less than the offensive value he attached to the transaction.[5] And in the final analysis, when the transaction was presented to Google's Board of Directors for approval, there was no monetary value placed on any defensive motivation.[6]

Third, any theory of competitive harm based on defensive motivation would be highly speculative. This is not a case in which there is existing competition between the acquiring company and the target and the issue is whether that horizontal competition would have become more robust if the target had been acquired by another buyer. Google does not compete with DoubleClick. To establish competitive harm from this acquisition, among other things one would have to: show that Microsoft or Yahoo! would have acquired DoubleClick if Google had not done so; demonstrate which one of the two companies would have prevailed; show what that company would have done with DoubleClick's business following the acquisition; establish how those actions would have led the company to compete more successfully against Google; show why the company has not achieved the same results through its various other acquisitions and related steps; and show that this series of events would make the market substantially more competitive than it would otherwise be. As noted above, even the Google team that was most closely involved in the DoubleClick transaction was not able to estimate whether or to what extent any of these events might occur.

Finally, as we have explained in many prior submissions and as summarized below, the online advertising world is a very different place today than it was when Google was evaluating the DoubleClick transaction. Whatever defensive concerns might have existed in April have been mooted by subsequent acquisitions and other developments involving Microsoft, Yahoo!, and other competitors. These developments include the acquisition by Google's competitors of new capabilities of the same exact sort that would have been possible through the DoubleClick

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5 *See* Attachment 4(c)-13. In this email message, a Google employee, Salman Ullah, attempted to quantify a "defensive value" of the transaction, and stated that it would not be unreasonable to assume that Google's AdSense for Content business could have a 10-25% downside impact if Microsoft or Yahoo! acquired DoubleClick. This estimate was not based on any hard data or real analysis. In the same email, Mr. Ullah made clear that it was difficult to estimate what if any impact there would be on Google's business. *See id.*

6 *See* Attachment 4(c)-2.

acquisition. The market is operating efficiently and allowing each competitor to pursue its own strategy to win business on the merits.

2. Google's Procompetitive Rationale for the Transaction

Google has long been interested in developing a display advertising business. Although Google currently accepts display ads for placement in its AdSense network, Google has a policy of not accepting third-party ad tags. This policy prevents advertisers from collecting critical metrics related to their display advertising, including reach (the number of unique consumers who viewed a particular ad), frequency (the number of times the ad is shown to each consumer) and view-through-conversions (whether a user who viewed an ad later takes a specified action, such as visiting the advertiser's website or completing a purchase), and reconciling that information against metrics collected when their ads are served through other networks or directly onto publishers' websites. Google's policy is based on privacy considerations and Google's overriding focus on protecting its brand reputation.[7] Unfortunately, the policy also means that most advertisers have been unwilling to buy display advertising through Google, and even the limited number of advertisers who have done so have not been willing to bid very high amounts because Google's policy effectively reduces the value of their purchase.[8]

Over time, Google has considered a number of options to address this problem. In particular, Google considered acquiring a third-party ad server or building a third-party ad server of its own, so that it could ensure strong privacy protection. With respect to the "build" option, however, Google anticipated that Yahoo! and Microsoft might well refuse to accept ad tags from

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7 *See* Email from Tim Armstrong to Susan Wojcicki and Elliot Schrage, May 14, 2007 (GOOG-00496315) ("we haven't allowed third parties to serve into Google's AdSense network due to latency and privacy concerns."); Email from Alex Kinnier to Deepak Jindal, August 31, 2006 (GOOG-00076851) ("The macro issue with cookies that [management] articulated to us… Does not want user information from cookies owned by a third party that has no user facing side to their business. Since Google has a user facing side to our business our incentives are aligned to protect all private information we have and not abuse it.").

8 *See, e.g.,* Attachment 4(c)-7 at 1 ("Major agencies with major budgets won't run on Google because we don't use DCLK or other third parties"); Zachary Rodgers, *Brand Advertisers Bash Google's Ad Serving Policies*, ClickZ News, Jan.25, 2007, http://www.clickz.com/showPage.html?page=3624701 ("'If I've got a brand campaign and a tenth of the campaign is running through Google, in my mind it takes away the advertising efficiencies,' said Jeff Marshall, managing director and VP of media agency Starcom IP."); *id.* ("'We can't use their networks if they don't allow third party serving," said Andrew O'Dell, president of interactive marketing at AKQA. 'It's not worth trying to maintain a separate universe. We're not going to do a buy that's got 95 percent of our inventory running on an ad server and the other 5 percent sitting there as an outlier.'"); *see also* "Display Business Plan" (GOOG-00968382) ("Lack of 3rd party serving locks us out of many agencies and advertisers who want consistent reporting and metrics across their entire buy."); Email from Gokul Rajaram to John Zachary and Patricia Sevrynse, October 2, 2006, (GOOG-00708508) ("Most publishers are able to kick butt on display ads (eg: Valueclick, an ad network, does $400M in display ads) because they accept all tags that an advertiser sends to them. We don't accept any 3rd party served tags, and so despite having the best inventory and a good sales team, we are going to be facing an uphill battle.").

any Google-developed ad server.[9] Yahoo!'s portal and Microsoft's MSN portal are two of the most important swaths of display ad inventory on the web, and most advertisers would be unwilling to move to an ad server knowing that they would not be able to use the new tool to serve their ads into one or both of these important display ad destinations.[10]

For this reason, Google has long considered the acquisition of an established ad serving provider such as DoubleClick as perhaps its most viable path to an increased presence in display advertising. Acquiring an established ad serving company with existing advertising customers would make it more difficult for Microsoft and Yahoo! to simply refuse to accept ad tags from its advertiser-side server.[11]

Google had another important reason for wanting to acquire DoubleClick: DoubleClick has good (if relatively short-term) relationships with a number of large publishers. Many of these publishers currently have large amounts of ad inventory that goes unsold ("remnant inventory") and must be filled with house ads.[12] Google estimates that around 25% of the inventory on DoubleClick's publisher customers' sites is currently unsold.[13] Google wants to help supply ads in this space, again expanding the quantity of display space available to advertisers and

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9 *See, e.g.*, Email from Gokul Rajaram to David Friedberg, December 10, 2005 (GOOG-00513178) ("Currently, a huge gating factor for our CMO Dashboard Vision is that Yahoo and MSN will not allow us to build the Online piece of it, because they wont accept our tags even if we did build an advertiser-side ad-serving platform."); "Market entry option 2: Acquire DoubleClick" (GOOG-00239382) ("Hypothesis: Yahoo! acquires DCLK raising barriers to entry for BMP. Y! motivation: Prevent Google from serving onto Y! [and] [p]revent AFC from winning share of display market").

10 *See* "Brand Marketing Platform: Product Launch Strategy & Timeline" (GOOG-00780215) ("Will lengthy dev time allow Yahoo to hear about BMP and pre-announce 'no' to serving tags?"); "CMO Dashboard (Brand Marketing Platform) Proposed Product Strategy to Win," February 28, 2007 (GOOG-01421850) ("Risks: Yahoo does not accept BMP ad serving tags->BMP adoption stopped, MSFT does not accept BMP ad serving tags->BMP adoption slowed"); Email from Alex Kinnier to Satya Patel, March 12, 2007 (GOOG-00248062) ("[E]arly indications show that acceptance of our tool will be highly correlated to Yahoo accepting our serving tags."); Email from Alex Kinnier to David Kenny, June 8, 2007 (GOOG-00257124) ("Publicis has concern that Yahoo may stop accepting third party served ads.").

11 *See* Attachment 4(c)-2 at 4 (stating in final presentation to Board of Directors that DoubleClick acquisition "Lowers risk that Y! and/or MSN don't accept Google ad tags"); *see also* Email from Jason Harinstein to Alex Kinnier and Gokul Rajaram, Feb. 23, 2007 (GOOG-00283870) ("more detail on liberty: pros: ... reduce risk that y/msn don't accept ad tags").

12 *See* Attachment 4(c)-7 at 1 ("Back fill DCLK's publisher network with ads."); Email from Gokul Rajaram to Jason Harinstein and Brian Axe, April 8, 2007 (GOOG-00720015) ("Owning Liberty will be strategic because we can build an exchange for all remnant inventory, and hopefully convince all other ad networks to bid on this inventory through AdWords.").

13 *See* Email from Tim Armstrong to Susan Wojcicki and Elliot Schrage, May 14, 2007 (GOOG-00496315) ("Many publishers use DFP to manage their ad inventory. We know that a good portion of their current inventory goes unsold."); Datran Media Exchange Online *available at* http:www.datranmedia.com/exchange online.php (quoting Forrester Research finding that "25% of online ad inventory goes unsold").

increasing the revenue generated by publishers.[14] Acquiring DoubleClick and its publisher relationships puts Google in a good position to pitch the value of AdSense to these publishers. This does not mean, however, that Google would have an exclusive or indeed *any* right to provide advertisements to those publishers. To be successful in its pitch, Google will need to demonstrate on the merits that AdSense is the best possible use of a portion of the publisher's inventory. Finally, there is no guarantee that these customers will even remain customers of DFP at all.[15]

3. Google's Valuation of DoubleClick

The online advertising industry currently generates more than $20 billion per year in revenue in the United States, and this figure is growing rapidly as advertisers shift more of their ad spending from traditional media into online ad campaigns.[16] As Microsoft's Senior Vice

[14] *See* Email from Jason Harinstein to Satya Patel, March 16, 2007 (GOOG-01551758) (discussing potential increased inventory following transaction); Email from Gokul Rajaram to Jason Harinstein, March 18, 2007 (GOOG-01008146) ("Pub x has 10 impressions. He'll sell one of them for $10 but doesn't know which one. The other 9 will go unsold, for an RPM of $1. If expected AFC RPM is $0.50, they'll keep all ten for themselves. With GFP, they can get $10 for the one impression but also get $0.50 RPMS for the other 9.").

[15] *See* "Recent Bidding Competitions in Sell-Side Display Ad Serving, Management, and Reporting," submitted to the FTC staff by DoubleClick on September 5, 2007.

[16] *See* Bill Gates, Chairman of Microsoft, Address at Microsoft Financial Analyst Meeting (July 26, 2007), *available at* http://www.microsoft.com/msft/speech/ FY07/GatesFAM2007.mspx ("The online advertising piece is a small piece of the overall advertising pie. ... There's a lot of vision about what will advertising look like over the next 10 years, because, as you shift virtually all of those dollars over, at least for young viewers, it'll be—the vast majority of dollars will be in the digital interactive environment. The need to have the right type of software there and help people move into that world is a huge opportunity for us moving forward."); Karsten Weide, IDC, Market Analysis, U.S. Internet Advertising 2007-2011 Forecast and Analysis: Funding the Consumer Internet 5 (June 2007) ("When budgeting time comes around, U.S. advertisers have to decide where to invest their marketing dollars to get the most ROI. Internet advertising is just one of several media and has to compete for this money with other media such as television, newspapers, and direct mail."); AICPA Custom Media Solutions, Online Surge Continues Despite Tepid Overall Advertising Forecast (January 2007), *available at* http://www.aicpalearning.org/profdev_nnews. asp?a_id=10318 (noting that rate of growth of online advertising spending for 2007 has been predicted to be 28% by WPP and ZenithOptimedia, and 22% by Merrill Lynch); Dow Jones & Company, Annual Report (Form 10-K), at 9 (Mar. 1, 2007) ("We have experienced declines in advertising that we believe are due to advertisers migrating their campaigns online or to other forms of media and marketing that can reach either larger mass consumer audiences or smaller but more targeted audiences."); The New York Times Company Annual Report (Form 10-K), at 10 (Mar. 1, 2007) ("In recent years, Web sites that feature help wanted, real estate and/or automobile advertising have become competitors of our newspapers and Web sites for classified advertising, contributing to significant declines in print advertising."); The Washington Post Company, Annual Report (Form 10-K), at 20 (Mar. 1, 2007) ("In addition, other Internet-based services, including search engines, are carrying significant amounts of advertising, and the Company believes such services have adversely affected the Company's print publications and, to a lesser extent, its television broadcasting operations, all of which rely on advertising for the majority of their revenues."); *see also* Email from Jonathan Rosenberg to jrstaff, Apr. 16, 2006 (GOOG-01085610) (forwarding article that states: "In their pursuit of advertising dollars, Internet companies are winning some important converts: the consumer packaged-goods companies... After years of cautiously experimenting with Web marketing, powerhouse advertisers like General Mills Inc. and Kraft Foods Inc. are cranking up online spending and increasing the range of brands they promote on the Web. ... Kraft now devotes just a third of its ad budget

President and Chief Advertising Strategist recently said, "Online advertising is exploding. It's kind of a white-hot space."[17] In an industry that is characterized by explosive growth and constant change such as this one, it is not surprising to find company valuations of 10 times revenue (or more).[18] Google's purchase price for DoubleClick represents a tiny fraction of the value of this industry, and is more than validated by the fact that Microsoft paid $6 billion to acquire aQuantive/Atlas, a company that provides similar products and services to those provided by DoubleClick.[19]

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to broadcast TV, down from roughly two-thirds five years ago. … [T]hey said Internet advertising has been a beneficiary of the shift away from TV. … Unilever … has cut its global TV budget to about 65% of total ad spending from about 85% in 2001, while shifting the balance to online and to other areas."); Email from Patrick Keane to Sheela Subramanian, July 25, 2006 (GOOG-00979263) (outlining "key takeaways" from Jupiter report titled "The Online Advertising Forecast (2006-2011)": "Advertisers will continue to increase the percentage of budget spent on online advertising between 2006 and 2011, reaching almost nine percent of total advertising spending in 2011."); Email from John Burke to Justin McCarthy and Elissa Coughlin, July 29, 2005 (GOOG-00644558) (quoting an AdWords customer: "'That (Google) ad is working great. ... We are busy as hell, and that is the only advertising we are doing right now. We quit our print advertising after we posted that Google ad.'"); "Bigger Buy" (GOOG-01085617) (showing steady increase in online ad spending as percentage of total ad spending); Justin Post & Han N. Pham, Merrill Lynch, "Yahoo!: Upgrading to Buy," Oct. 30, 2006 (GOOG-00433163) ("Online advertising remains a secular growth industry and, aided by proliferation of new advertising formats, industry revenues will double over the next five years. … We expect global Internet advertising to reach $28bn in 2006, and grow at a 19% CAGR to $50bn by 2010."); "Outsell Inc. Annual Ad Spending Study: Where and Why Advertisers Are Moving Online," Jan. 31, 2006 (GOOG-02031058) ("Those rating Google extremely effective allocate more of their advertising spending online, less to print and TV/Radio. … Online Spending Will Grow 19%, Take More Share from Print, TV & Radio").

17 *See* Yusuf Mehdi, Senior Vice President, Strategic Partnerships at Microsoft, Speech at Goldman Sachs' eight annual global internet conference in Las Vegas (May 23, 2007).

18 *See* Vauhini Vara, *Facebook Gets Personal with Ad Targeting Plan*, Wall St. J., Aug. 23, 2007, *available at* http://online.wsj.com/article/SB118783296519606151.html (quoting "people familiar with the matter" as saying that "Facebook is on track for $30 million in profit this year on $150 million in revenue" and reporting that "The start-up's investors have publicly said they hope to take Facebook public at a valuation approaching $10 billion."); Aaron O. Patrick, *Ad Firms Hurting the Cause? Tech-Buying Binge Is Raising Prices -- And Red Flags*, Wall St. J., Sept. 6, 2007, *available at* http://online.wsj.com/article/SB118903477313518688.html ("Advertising agencies are buying up technology companies, and tech companies, in turn, are snapping up ad firms. … WPP Group PLC bought Internet ad-broker 24/7 Real Media Inc. for $649 million, 44 times earnings. … Global spending on Internet ads rose 92% from 2004 to 2006. … 'These assets aren't cheap, to put it mildly,' WPP Chief Executive Officer Martin Sorrell said in announcing the 24/7 Real Media deal. 'But I think in the long term they will prove to be the right thing to do.' … TradeDoubler AB … turned down a $900 million offer from Time Warner Inc. early this year."); Email from Gokul Rajaram to David Thacker, May 30, 2006 (GOOG-00700475) ("One of the biggest issues with Atlas is that since they are a public company with the highest valuation of *any* Internet company (20X revenues), doing a deal will be very very expensive for us.").

19 *See* Press Release, Microsoft, Microsoft to Acquire aQuantive, Inc. (May 18, 2007) *available at* http://www.microsoft.com/presspass/press/2007/may07/05-18Advertising.mspx; Email from Derek Brown to Tim Armstrong, May 21, 2007 (GOOG-01432268) (forwarding Cantor Fitzgerald analysis of aQuantive acquisition: "Based on our existing 2008 estimates for the Company, the deal implies multiples of roughly 7x revenue, 28x adjusted EBITDA, and 55x pro forma EPS – essentially in line with multiples recently paid by Google for DoubleClick, but massive premiums to aQuantive's projected growth rate and existing public comparables.").

When Google's Board of Directors approved the DoubleClick transaction, they were presented with two principal elements of the valuation. First, Google saw a chance to create, in a timely manner, the opportunity for advertisers to use Google's AdSense network for display advertising while receiving the metrics they require.[20] Second, Google placed significant value on acquiring an established ad serving company with a customer base that would put Google in a good position to help publishers maximize yield by selling more of their remnant inventory.[21]

In reaching the conclusion that DoubleClick is worth at least $3.1 billion to Google, Google valued the company primarily based on these two clearly procompetitive synergies, which are described in more detail below:

Improvement of Google's display advertising business. As a result of advertisers having the opportunity to use DFA to serve, manage, and report on display ads placed in the AdSense network (which Google had previously not allowed), Google expects to sell a significant portion of AdSense network inventory for display, rather than text-based, ads. Google expects that by increasing the value that advertisers can derive from display ads placed in the AdSense network, advertisers will gain more value from this advertising and, at the same time, because Google collects a portion of advertisers' bids, Google will generate higher revenues from its current stock of inventory.

Google estimates that the incremental gross revenues associated with the sales of AdSense impressions to display advertisers following the acquisition of DoubleClick will be $345 million in 2008 and increase to $1.37 billion in 2012. After deducting the revenue share that accrues to the publishers, the incremental net revenues are expected to be worth $103 million to Google in 2008, growing to $410 million in 2012 – *i.e.,* one percent or less of total U.S. online ad expenditures during this period. Given various assumptions about the applicable discount rate and terminal value of the investment, Google estimated that the improved access to advertiser budgets that would result from supporting DFA tags had a net present value (NPV) between $1.3 billion and $1.5 billion.[22]

Sale of DFP customers' remnant inventory. Google hopes to convince many DFP customers to sell their remnant inventory through AdSense. While DFP's publisher customers likely already sell much of their ad inventory directly and through other networks and will no doubt continue to do so, some amount of remnant inventory is inevitable. There will always be

20 *See* Attachment 4(c)-2 at 4-5.

21 *See id.*

22 *See id.* at 5 (listing a NPV of $1.4B for "Upside to brand ad business from supporting 3rd party ad tags").

unexpected spikes in website traffic, for example in response to a major event.[23] While these could be filled with house ads, Google believes that it will be able to convince many DFP publishers that they should give AdSense a shot at selling ads into this inventory.[24]

Two points bear emphasizing here. First, to the extent Google provides ads for remnant inventory, this development is output enhancing and unambiguously procompetitive. Advertisers, publishers and internet users all benefit from this additional advertising. Second, Google has no guarantees. Google is making a bet that it can persuade publishers to let Google provide advertisements on their sites. If Google is unable to persuade them or Google's competitors come in with a better offering, Google will lose the bet. Either way, publishers end up better off because they can take the best deal that is available.

Google estimates that by acquiring DFP and pitching AdSense to DFP's customers, Google will increase the amount of inventory available in the AdSense network. The incremental gross revenues from selling more AdSense impressions are expected to be $624 million in 2008 and to increase to $1,949 million in 2012. The incremental net revenues are expected to be $187 million in 2008 and to increase to $585 million in 2012, again just about one percent of U.S. online advertising expenditures. Applying a range of discount rates and assumed terminal values, Google estimated that the NPV of incremental AdSense impressions from this aspect of the transaction between $1.8 billion and $2.2 billion.[25]

In summary, the value of DoubleClick to Google flowing from these two elements is between $3.1 billion and $3.7 billion, even before any expected cash flows of the ad serving business itself are taken into account,[26] and without any consideration of a "defensive" motivation for the transaction. Of course, Google would have preferred to pay less to acquire DoubleClick, but it was in a bidding contest with Microsoft and Yahoo! and chose to bid $3.1 billion to win the auction. Because this price was lower than the company's valuation based on

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23 *See* "comScore Media Metrix" (GOOG-00059900) ("Interest for the World Cup and NBA Playoffs began building in May, as evidenced by the 24 percent increase in traffic to The NBA Internet Network…, and the nearly 100 percent increase in traffic [to] the official World Cup site…. Upcoming Congressional and gubernatorial races sent a surge of activity online, causing a 31-percent spike in traffic to political sites…. As Americans watched interest rates continue to rise, their visitation to sites in the Financial News/ Research category increased 12 percent in May…."); Email from Jon Kaplan to Tom Thai and Tim Armstrong, Sept. 7, 2006 (GOOG-01226728) (mentioning "a spike in refinance & home equity traffic since Jan 1, which is when the fed 'language' got really aggressive with regard to rates & inflation…").

24 *See* Attachment 4(c)-13 ("$1.8-$2.2B NPV of incremental AFC impressions via access to DFP publishers' remnant inventory").

25 *See* Attachment 4(c)-2 at 5 (listing a NPV of $2.0B for "Incremental AFC impressions via access to DFP publishers' inventory").

26 Google estimated that the NPV of running DoubleClick's existing operations with reduced pricing would be around $100 million. *See* Attachment 4(c)-2 at 5.

the two elements described above, it was approved by Google's Board of Directors. In addition, while Google believes that it will be able to achieve increased sales in this manner, this industry is changing so rapidly that nothing is certain. As discussed further below, during the five months since Google made its Hart-Scott-Rodino filing, Google's competitors have worked actively to win business.[27]

4. Dynamic and Competitive Marketplace

Online advertising is an extremely dynamic and competitive space. In the months since Google announced its acquisition of DoubleClick, the industry has experienced a fundamental transformation. Indeed, far from causing a *lessening* of competition, Google's proposed acquisition of DoubleClick has sparked a series of transactions and announcements that have only increased the industry's competitiveness. David Morgan, the Chief Executive Officer of ad network Tacoda (recently acquired by AOL) predicted this. A few days after Google announced its intent to acquire DoubleClick, he said:

> I think there's a good chance that this deal may produce far, far more winners than losers. In fact, there is a very good chance that it will actually help grow the businesses of Google's existing and future competitors more than it will hurt them. Quite possibly, years from now, we could look back and find that this deal set a number of things in motion that grew the businesses of not only Google, but also Yahoo, Microsoft and AOL – as well as thousands of smaller online media companies.[28]

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[27] *See* July 23, 2007 Email from David Gelfand to Sean Dillon (referencing Yahoo!'s statements at recent investor call that "The newspaper deal and our growing partnership with eBay are great examples of how our commitment to being the industry's partner of choice is gaining traction"); msnbc.com, *Digg fires Google, hires Microsoft for online ads* (July 25, 2007), http://www.msnbc.msn.com/id/19962213 (reporting on Digg.com's switch from Google to Microsoft as its online advertising partner); Eric Engleman, *AQuantive gets boost in rivalry with DoubleClick*, Puget Sound Bus. J., Aug. 17, 2007, *available at* http://www.bizjournals.com/seattle/stories/2007/08/20/story9.html?page=1&b=1187582400^1507807 ("The company that owns Evite, Match.com, Ticketmaster and other prominent websites has dumped the DoubleClick ad service in favor of Seattle-based aQuantive's Atlas unit, which is owned by Microsoft. IAC/InterActive Corp.'s switch could give Microsoft Corp. a boost as it seeks to catch up to Google in the race for online ad dollars."); *see also* David Kaplan, paidContent.org, *MIVA Awarded Conde Nast Interactive U.K. Account, Beating Yahoo and Google*, Mar. 29, 2007, *available at* www.paidcontent.org/entry/419-miva-awarded-conde-nast-interactive-uk-account-beating-yahoo-and-google/ (reporting that MIVA, a content and behavioral targeting ad network, "won the pay-per-click content account for Conde Nast Interactive U.K.," which includes Vogue.com, GQ.com, Glamourmagazine.com, and other titles, "besting pitches from Yahoo Search Marketing and incumbent Google" after launching its network in the U.K. and U.S. earlier this year).

[28] David Morgan, *GOOG/DCLK: Will it Grow the Pie?*, Online Spin MediaPost blog (Apr. 19, 2007), available at http://blogs.mediapost.com/spin/?p=1022.

This prediction was an accurate one. Just to mention a few of the highlights from the past five months, Yahoo! acquired RightMedia, an advertising exchange,[29] and BlueLithium, a behavioral targeting ad network.[30] Microsoft acquired aQuantive (which provides publisher- and advertiser-side ad serving technology as well as an ad network),[31] and has agreed to acquire AdECN Inc., which operates an ad exchange.[32] AOL acquired ADTECH, a provider of publisher-side ad serving technology,[33] Third Screen Media, the operator of a mobile phone advertising network,[34] and Tacoda, a behavioral targeting ad network.[35] WPP acquired 24/7 Real Media,[36] which offers publisher-side ad serving technology and an ad network.[37] And Aegis acquired BlueStreak, an advertiser-side ad server.[38]

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[29] *See* Press Release, Yahoo!, Yahoo! Announces Agreement to Acquire Right Media, Largest Emerging Online Advertising Exchange (Apr. 30, 2007), *available at* http://yhoo.client.shareholder.com/press/ReleaseDetail. cfm?ReleaseID=239940; Press Release, Yahoo!, Yahoo! Announces Completion of Right Media Acquisition (July 12, 2007), *available at* http://yhoo.client.shareholder.com/press/releasedetail.cfm?ReleaseID=253831.

[30] *See* Press Release, Yahoo!, Yahoo! Announces Agreement to Acquire Blue Lithium (Sept. 4, 2007), *available at* http://yhoo.client.shareholder.com/press/releasedetail.cfm?ReleaseID=262635.

[31] *See* Press Release, Microsoft, Microsoft to Acquire aQuantive, Inc. (May 18, 2007), *available at* http://www.microsoft.com/Presspass/press/2007/may07/05-18Advertising.mspx; Press Release, Microsoft, Microsoft Completes Acquisition of aQuantive, Creates Advertiser and Publisher Solutions Group (Aug. 13, 2007), *available at* http://www.microsoft.com/presspass/press/2007/aug07/08-13MSaQuantivePR.mspx

[32] *See* Press Release, Microsoft, Microsoft to Acquire AdECN, Inc. (July 26, 2007), *available at* http://advertising.microsoft.com/asia/NewsAndEvents/PressRelease.aspx?Adv_PressReleaseID=625; AdECN Exchange, http://www.adecn.com.

[33] *See* Press Release, AOL, AOL Acquires ADTECH AG (May 16, 2007), *available at* http://press.aol.com/article_display.cfm?article_id=1232; Press Release, ADTECH, AOL Acquires ADTECH AG (May 16, 2007), *available at* http://www.adtech.info/en/pr-07-11.html.

[34] *See* Press Release, Third Screen Media, AOL Acquires Third Screen Media (May 15, 2007), *available at* http://www.thirdscreenmedia.com/wordpress/?p=117.

[35] *See AOL to Buy Ad Firm Tacoda*, Reuters, July 24, 2007, *available at* http://www.reuters.com/article/newsOne /id UKN2442402920070724.

[36] *See* Press Release, WPP, WPP has agreed to acquire 24/7 Real Media for $11.75 per share (May 17, 2007), *available at* http://www.wpp.com/WPP/Press/Press/Default.htm?guid={10AE46F9-DF3F-4426-B00E-25A62883F678; Press Release, WPP, WPP Completes Acquisition of 24/7 Real Media (July 13,2007), *available at* http://www.wpp.com/NR/rdonlyres/83DC5A56-9B5E-46E2-88EB-DDBBDAEAF50D/ 17161/WPP_PressRelease_247RealMedia_Jul07_guid93b19ce01b.pdf?pageContent_PressRelease.

[37] *See* Press Release, WPP, WPP has agreed to acquire 24/7 Real Media for $11.75 per share (May 17, 2007), *available at* http://www.wpp.com/WPP/Press/Press/Default.htm?guid={10AE46F9-DF3F-4426-B00E-25A62883F678}; Press Release, WPP, WPP Completes Acquisition of 24/7 Real Media (July 13,2007), *available at* http://www.wpp.com/NR/rdonlyres/83DC5A56-9B5E-46E2-88EB-DDBBDAEAF50D/17161 /WPP_PressRelease_247RealMedia_Jul07_guid93b19ce01b.pdf?pageContent_PressRelease.

[38] *See* Press Release, Aegis, Aegis to Acquire Ad-Serving Business of Bluestreak (June 25, 2007) *available at* http://www.aegisplc.com/ags/media/groupreleases/grouprel2007/22-06-2007/.

These are only a few of the industry-transforming developments from the last few months. That these competitors are actively pouring billions of dollars into increasing their competitive presence is perhaps the single best demonstration of the wide-open nature of competition in this industry.

Competitors' public statements only underscore this point. As Microsoft put it, "This $80 billion of online advertising is a big market opportunity, and billions and billions of dollars of economic value will be created over the next several years."[39] Microsoft has described its acquisition of aQuantive as "a significant, significant piece of building out this ad platform."[40] With respect to its acquisition of AdECN, Microsoft stated that "it … enables us to move forward with all of the core components that we need to enable this ad platform."[41] In connection with its recent acquisition of online ad network BlueLithium, a Yahoo! executive stated that the transaction "really moves us along the continuum" toward "our goal of creating the largest global ad network."[42] Similarly, WPP stated that its acquisition of 24/7 Real Media "[s]trengthens our position in the fast-growing digital marketing sector,"[43] and AOL described its acquisition of Tacoda as "another step toward our goal of building the most sophisticated advertising network in the world."[44] These industry developments have rendered any pre-existing defensive concerns moot. It is clear that many companies can succeed in this rapidly evolving market.

5. Conclusion

For the foregoing reasons, any defensive considerations related to the transaction do not give rise to competitive concerns and, in any event, were not part of the value that Google's Board of Directors relied upon in approving the transaction. Google's motivations for the transaction, including expanding its output of valuable display advertising and increasing its provision of ads to publishers, are plainly procompetitive. Finally, as the developments of the last five months have demonstrated, the entire online advertising space is extremely competitive.

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39 Kevin Johnson, President, Platforms and Services Division at Microsoft, Address at Microsoft Financial Analyst Meeting (July 26, 2007), *available at* http://www.microsoft.com/msft/speech/FY07/JohnsonFAM2007.mspx.

40 *Id*

41 *Id.*

42 Kevin J. Delaney, *Yahoo Expands Online-Ad Reach*, Wall. St. J., Sept. 5, 2007, *available at* http://online.wsj.com/article/SB118894492737517384.html.

43 WPP Analyst Presentation "Acquisition of 24/7 Real Media" at 38 (May 17, 2007), *cited in* June 8, 2007 Email from Peter Thomas to Randy Long.

44 Email from Ron Grant (AOL) to various industry players, *quoted in* July 24, 2007 Email from David Gelfand to Sean Dillon.

Google's competitors, through their words and their actions, have demonstrated that this space is growing rapidly and any player with a good strategy can compete successfully on the merits.

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We hope that this information is useful. Please do not hesitate to contact me if you need any additional information.

This letter includes confidential and proprietary information of Google and is submitted with the understanding that it will be afforded confidential treatment pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and all other applicable statutes and regulations.

Sincerely,

David Gelfand